

Policy Issue #2 Design 2004 Pilots

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Problem Statement

The need is to design two pilot programs, one with summer peaking issues and one with winter peaking issues. Each pilot program will be composed of various measures and technologies that will attempt to show the practicality and economics of those measures for the potential deferral of transmission projects. The pilots are also to demonstrate the reliability of those measures to positively effect transmission peak shaping for potential transmission projects deferral.

Current Situation

BPA has a list of G-20 proposed transmission projects. Two of those projects were selected for high level NCA screenings to determine whether NCAs may be potential viable options to defer transmission construction. Those two projects included: Olympic Peninsula (winter peaking project) and McNary-Brownlee in Southern Idaho (summer peaking project). A third project, not one of the G-20's, Lower Valley in Wyoming (winter peaking) was also selected for high level NCA screening. After further review of project assumptions, BPA has delayed the need for construction of McNary-Brownlee, the only summer peaking project in the three selected for high level NCA screenings this year. Test measures on the Olympic Peninsula has already been initiated, with various measures under discussion between BPA and interested third parties.

The current committed budget to fund all test measures for NCA from BPA PBL/TBL is \$4 million for FY04-06. FY04 is capped at \$1 million.

Goal

To prove on a small scale that a combination of the various test measures, when fully implemented, can potentially delay transmission projects in an economic, practical and reliable manner.

Tasks

1. Choose the Pilot programs

Task: Determine the focus of pilot programs in FY04

Who: BPA with advice from Design 2004 Pilots Subgroup

Due Date: October 2003

Dollars: Internal dollars only

Partners: Subgroup Members; discussions with utilities operating in areas of potential pilot programs, other entities with activities in areas of potential pilot programs.

Recommendation: Subgroup members felt strongly that pilot programs for both winter and summer issues should be implemented in FY04. Even though there is no longer a line (among the three NCA high level screening analysis) to be deferred with summer peaking issues (McNary-Brownlee is no longer deemed a high priority by BPA); the Subgroup recommends testing measures along that potential future line construction to show that there are effective measures that can reduce summer peak.

2. Choose the measures within each pilot program that need to be tested

Task: Determine those measures within each pilot program that are most likely to cost-effectively and reliably delay construction of a transmission line, and identify any other measures that are worthy of testing to show their economics, practicality and reliability.

Who: BPA with advice from Design 2004 Pilots Subgroup

Due Date: December 2003

Dollars: Internal dollars only

Partners: Subgroup Members; discussions with utilities operating in areas of potential pilot programs, other entities with activities in areas of potential pilot programs.

Recommendation:

- The subgroup recommended that pilot money should not be spent on programs that will require the running of backup diesel generators. The price point for the use of diesel generation is already known and environmental impacts of diesel generation make it an unattractive alternative.
- For the Olympic Peninsula area, energy efficiency measures appear to be the most cost effective, with DEMX (at the mills, large commercial and navy) second best. Next are direct load control and distributed generation.
- Wind energy was deemed by BPA not to be an effective reliable alternative to transmission. The Subgroup wants to more fully explore the option of wind. A question on whether the wind blows during the peak times is important to answer.

3. Engage Stakeholders and Participating IOUs and PUDs

Task: Work with the various stakeholders and participating IOUs, PUDs and other third parties to determine those other programs and activities that could compliment both pilot programs.

Who: BPA with advice from Subgroup

Due Date: December 2003

Dollars: none (internal staffing costs only)

Partners: Retail utilities, interest groups, state agencies, PUCs, Indian Tribes,

Recommendation: For Olympic Peninsula pilot program:

- Contacts have been made with PSE, recommended contacts with other local utilities on the peninsula. BPA C&RD

funds of a local utility could be accessed to support this purpose.

- Contacts have been made with Makah Indian Tribe working on a 30 MW wind project for further discussions.
- BPA has initiated contacts with various industrial entities on the peninsula.

For Southern Idaho pilot program:

- PacifiCorp has corresponding programs useful for pilot efforts.

4. Determine adequate budgets needed for each pilot program to be successful

Task: Determine an appropriate amount of money to spend in order to show the effectiveness of measures and their ability to be replicated in a manner that will delay the construction of a transmission line.

Who: BPA with advice from Subgroup

Due Date: December 2003

Dollars: none (internal staffing costs only)

Partners: Retail utilities, interest groups, state agencies.

5. Obtain co-funding from third parties that could support the pilot programs

Task: Determine other funds already being spent which could be used to support the pilot programs and determine other sources of grant or other funds that may be also used to directly fund the pilots.

Who: BPA with advice from Subgroup

Due Date: December 2003

Dollars: none (internal staffing costs only)

Partners: Subgroup has identified a number of options for potential funding assistance. (NEEA, C&RD funding, DOE tribal wind grant, PacifiCorp, PSE, USDA farm bill funding, local utilities, technology companies, etc.)

6. Pilot program implementation

Task: RFP's, Contract implementation, installations, etc

Who: BPA

Due Date: September 2004

Dollars: none (internal staffing costs only)